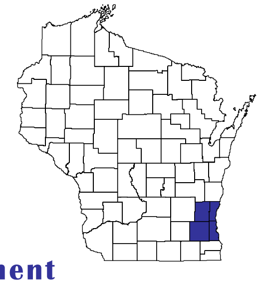
Workforce Observations

for the Milwaukee/WOW counties

Milwaukee County and Washington, Ozaukee and Waukesha Counties



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Fourth Quarter 2005

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Regional Economy Shows Promise Amidst Pessimism

2004 and 2005 Annual Average Labor Force

2005	**Milwaukee-WOW WDA**	**Wisconsin**	**United States**
Labor Force	796,524	3,050,727	149,393,750
Employment	757,223	2,907,929	141,676,083
Unemployment	39,301	142,798	7,717,833
Unemployment Rate	4.9%	4.7%	5.2%
2004	**Milwaukee-WOW WDA**	**Wisconsin**	**United States**
Labor Force	801,566	3,071,178.75	147,401,166.67
Employment	758,276	2,919,200.92	139,251,916.67
Unemployment	43,290	151,977.83	8,149,250.00
Unemployment Rate	5.4%	4.9%	5.5%

The Milwaukee-Waukesha-West Allis Metropolitan Statistical Area, which encompasses both the Milwaukee and Washington-Ozaukee-Waukesha Workforce Development Areas, was met with a series of notable economic shocks throughout the past year. The manufacturing sector was marked by a number of significant plant closures and layoffs, including the loss of nearly 600 positions due to the closure of Tower Automotive, with the sector ending the year in relative uncertainty due to the announced bankruptcy of Delphi Corporation. Similarly, Briggs and Stratton Corporation of Wauwatosa announced a series of smaller layoffs over the course of the year, but otherwise experienced relative stability. As a region, a total of fifty-seven firms reported mass layoff or closure actions, affecting nearly 5,100 workers.

Just as this level of mass layoff and plant closure activity is not unusual for a region with an economy as large as the Milwaukee-WOW area, it is also not terribly instructive in a discussion of the year's trends. As a whole, we see that the region fared rather well economically. The re-

Milwaukee-WOW WDA Annual Average Nonfarm Industry Employment

	2004	2005	# Jobs Change	% Jobs Change
All Industries	832,317	840,517	8,200	1.0%
Construction/Natural Resources	33,542	35,800	2,258	6.7%
Manufacturing	134,150	135,467	1,317	1.0%
Wholesale and Retail Trade	122,083	124,275	2,192	1.8%
Transport/Warehouse/Utilities	30,417	29,767	(650)	-2.1%
Financial Activities	57,358	56,208	(1,150)	-2.0%
Education and Health Services	131,417	134,658	3,242	2.5%
Leisure & Hospitality	65,183	66,292	1,108	1.7%
Info./Prof./Bus. and Other Services	166,692	169,858	3,167	1.9%
Fed/State/Local Government	91,475	90,592	(883)	-1.0%

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Local/State/National Quarterly Unemployment Rates

	Fourth Quarter 2005			
	Labor Force	# of Employed	# of Unemployed	Unemploy. Rate
Milwaukee County	464,100	439,000	25,100	5.4%
Ozaukee County	47,600	46,100	1,600	3.3%
Washington County	70,600	68,100	2,500	3.5%
Waukesha County	212,100	205,000	7,100	3.4%
Mil/Wauk/W Allis MSA	794,500	758,200	36,300	4.6%
Brookfield City	20,200	19,500	600	3.2%
Franklin City	17,900	17,300	600	3.3%
Greenfield City	20,400	19,600	800	3.8%
Menomonee Falls Village	18,800	18,100	600	3.3%
Milwaukee City	273,000	254,600	18,400	6.7%
New Berlin City	22,300	21,500	700	3.3%
Oak Creek City	19,400	18,600	700	3.6%
Waukesha City	39,000	37,400	1,700	4.2%
Wauwatosa City	25,200	24,300	800	3.4%
West Allis City	33,100	31,600	1,400	4.3%
West Bend City	16,100	15,300	800	4.8%
Wisconsin	3,050,600	2,928,000	122,600	4.0%
United States	150,423,000	142,971,000	7,452,300	5.0%
	Change Compared to Previous Quarter			
Milwaukee County	-1,400	-200	-1,100	-0.2%
Ozaukee County	-160	-20	-130	-0.3%
Washington County	-170	-30	-130	-0.2%
Waukesha County	-570	-100	-470	-0.2%
Mil/Wauk/W Allis MSA	-2,300	-400	-1,900	-0.2%
Brookfield City	-20	-10	-10	0.0%
Franklin City	-50	-10	-40	-0.2%
Greenfield City	-50	-10	-40	-0.2%
Menomonee Falls Village	-50	-10	-40	-0.2%
Milwaukee City	-940	-130	-810	-0.3%
New Berlin City	-50	-10	-40	-0.2%
Oak Creek City	-50	-10	-40	-0.2%
Waukesha City	-140	-20	-120	-0.3%
Wauwatosa City	-50	-10	-40	-0.1%
West Allis City	-90	-20	-70	-0.2%
West Bend City	-80	-10	-70	-0.4%
Wisconsin	-11,900	-3,690	-8,190	-0.3%
United States	-347,700	-212,330	-135,330	-0.1%
	Change Compared to Same Quarter, Previous Year			
Milwaukee County	-4,300	-3,900	-300	0.0%
Ozaukee County	-230	-410	180	0.4%
Washington County	-720	-610	-100	-0.1%
Waukesha County	-1,980	-1,840	-140	0.0%
Mil/Wauk/W Allis MSA	-7,200	-6,800	-400	0.0%
Brookfield City	-180	-180	0	0.0%
Franklin City	-160	-160	-10	0.0%
Greenfield City	-220	-180	-40	-0.2%
Menomonee Falls Village	-190	-160	-20	-0.1%
Milwaukee City	-2,530	-2,290	-240	0.0%
New Berlin City	-190	-190	0	0.0%
Oak Creek City	-200	-170	-30	-0.1%
Waukesha City	-420	-340	-80	-0.2%
Wauwatosa City	-260	-220	-40	-0.1%
West Allis City	-340	-280	-60	-0.1%
West Bend City	-170	-140	-30	-0.2%
Wisconsin	-16,600	-11,000	-5,610	-0.2%
United States	-16,600	-11,000	-5,610	-0.2%

Source: DWD Office of Economic Advisors analysis of data supplied by DWD Bureau of Workforce Information

contd.) gion's labor force did experience some contraction over the course of 2005, shedding just over 5,000 individuals.

While this contraction may be the result of voluntary separation from the labor force by individuals frustrated with the region's employment prospects, this likely accounts for only a small share of this pattern. What is more likely is that the labor force is continuing to exhibit a pattern of shrinkage due to an imbalance of retirements as compared to new hires or other labor force entrants. Similarly, an ongoing pattern of out-migration of workforce-eligible residents out of Milwaukee County may also account for some of this overall contraction. The most important lesson to be gleamed from this data, however, is that this pattern is expected to continue throughout the next several decades, as we continue to see increasing numbers of "baby boomers" exit the labor force.

One ancillary result of this observed trend of labor force contraction is that the annual average unemployment rate for the region shows a half-percent decrease as compared to 2004. This trend has been fueled, in whole, by a significant decrease in the number of unemployed individuals, with a net decrease of nearly 4,000 over the past year. This trend comes just as total employment in the Milwaukee-WOW region also showed some decline in 2005, losing approximately 1,000 individuals from the ranks of the employed labor force.

Turning our attention to a more nuanced discussion of workforce trends observed in the region's various industry sectors, we see that 2005 was generally a good year for the region's industries. While both the education and health services and information/professional, business, and other services super-sectors both witnessed net employment growth of over 3,000 positions — a development that is wholly consistent with a long-term transition from a "hard" to "soft" or services-oriented economy, traditional "blue collar sectors" also fared quite well. The construction/natural resources and wholesale and retail trade

Local/State/National Quarterly Industry Employment

	Avg. # of Nonfarm Jobs by Industry Sector			Industry Sector as a % of Total Nonfarm Employment		
	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA
	Q4-2005	Q4-2005	Q4-2005	Q4-2005	Q4-2005	Q4-2005
All Industries	133,990,200	2,864,100	847,200	100.0%	100.0%	100.0%
Construction/Natural Resources	7,918,000	139,100	37,300	5.9%	4.9%	4.4%
Manufacturing	14,287,700	502,500	135,600	10.7%	17.5%	16.0%
Retail Trade	21,004,000	322,800	83,900	15.7%	11.3%	9.9%
Wholesale Trade	5,727,600	117,300	40,000	4.3%	4.1%	4.7%
Transport/Warehouse/Utilities	15,276,500	110,400	29,400	11.4%	3.9%	3.5%
Financial Activities	8,236,000	158,200	56,100	6.1%	5.5%	6.6%
Education and Health Services	17,436,700	390,500	137,300	13.0%	13.6%	16.2%
Leisure and Hospitality	12,628,000	251,500	66,000	9.4%	8.8%	7.8%
Info./Prof./Bus.and Other Services	25,580,700	446,700	169,800	19.1%	15.6%	20.0%
Information	3,138,700	50,300	18,000	2.3%	1.8%	2.1%
Professional and Business Services	16,993,300	261,100	111,000	12.7%	9.1%	13.1%
Other Services	5,448,700	135,300	40,800	4.1%	4.7%	4.8%
Fed/State/Local Government	21,962,300	425,100	91,800	16.4%	14.8%	10.8%
	Change in Avg. # of Jobs Compared to Previous Quarter			% Change in Avg. # of Jobs Compared to Previous Quarter		
All Industries	216,300	15,200	4,000	0.2%	0.5%	0.5%
Construction/Natural Resources	-191,000	-10,300	-1,600	-2.4%	-6.9%	-4.2%
Manufacturing	-4,000	-5,700	-200	0.0%	-1.1%	-0.1%
Retail Trade	57,100	7,700	2,000	0.4%	2.5%	2.5%
Wholesale Trade	-25,700	-1,300	-100	-0.4%	-1.1%	-0.2%
Transport/Warehouse/Utilities	15,900	2,500	400	0.3%	2.3%	1.4%
Financial Activities	-50,700	-1,200	-300	-0.6%	-0.7%	-0.5%
Education and Health Services	259,000	9,700	3,800	1.5%	2.5%	2.8%
Leisure and Hospitality	-570,300	-22,200	-3,300	-4.3%	-8.1%	-4.8%
Info./Prof./Bus.and Other Services	-190,300	-1,400	-3,400	-0.7%	-0.3%	-1.9%
Information	-22,000	300	-100	-0.7%	0.6%	-0.7%
Professional and Business Services	-108,000	-1,100	-2,900	-0.6%	-0.4%	-2.6%
Other Services	-60,300	-600	-300	-1.1%	-0.4%	-0.7%
Fed/State/Local Government	916,300	35,600	6,400	4.4%	9.1%	7.5%
	Change in Avg. # of Jobs Compared to Same Quarter in 2004			% Change in Avg. # of Jobs Compared to Same Quarter in 2004		
All Industries	746,600	27,700	7,500	0.6%	1.0%	0.9%
Construction/Natural Resources	171,000	6,200	2,700	2.2%	4.7%	7.8%
Manufacturing	-74,700	-500	1,400	-0.5%	-0.1%	1.1%
Retail Trade	-131,900	-7,300	-1,600	-0.9%	-2.2%	-1.9%
Wholesale Trade	37,300	3,800	800	0.7%	3.4%	2.0%
Transport/Warehouse/Utilities	38,100	200	-2,000	0.8%	0.2%	-6.5%
Financial Activities	136,300	1,100	-700	1.7%	0.7%	-1.3%
Education and Health Services	140,700	6,600	3,800	0.8%	1.7%	2.9%
Leisure and Hospitality	256,000	7,200	3,300	2.1%	3.0%	5.2%
Info./Prof./Bus.and Other Services	287,700	7,900	900	1.1%	1.8%	0.6%
Information	5,000	300	-400	0.2%	0.5%	-2.0%
Professional and Business Services	262,300	7,600	2,200	1.6%	3.0%	2.0%
Other Services	20,300	0	-900	0.4%	0.0%	-2.2%
Fed/State/Local Government	-114,000	2,400	-1,000	-0.5%	0.6%	-1.1%

Source: DWD Office of Economic Advisors analysis of Current Employment Statistics (CES) data supplied by DWD Bureau of Workforce Information and the U.S. DOL Bureau of Labor Statistics. These not seasonally adjusted, preliminary figures are rounded and may not sum to the all industries total.

(contd. from p. 2) sectors each reported net increases of over 2,000 positions and the manufacturing sector continued to experience a prolonged pattern of recovery, adding just over 1,300 positions over the past year. Each of these trends is expected to continue, to some extent in 2006, as most national and regional economists have predicted an economic year rather similar to that experienced in 2005.

Fourth Quarter Ends Year with Promise

Moving now to a review of the labor force data reported for the Milwaukee-WOW area for the Fourth Quarter 2005, we see that most traditional indicators suggest that we should continue to see improvement in the coming year. The regional quarterly unemployment rate was 4.6 percent, or an improvement of 0.2 percent from the previous quarter, and a figure that is unchanged as compared to the same period in 2004. This pattern falls well within our traditional understanding of regional labor markets, as increased demand for workers in the retail trade typically offsets any decreases in construction and manufacturing employment brought on by the changing seasons and cyclical production patterns. This is the pattern that we observed in the current quarter, with retail trade accounting for 2,000 new positions, while construction and manufacturing employment decreased by a total of 1,800 positions. What was somewhat unusual about the 2005 labor market, however, was the timing of these changes, particularly in the construction sector, as decreases in employment did not occur until rather late in the year, with a bulk of activity occurring in December, as the building season was aided by rather mild weather in October and November.

County and municipal labor force trends typically followed in line with regional patterns over the quarter. Both Milwaukee County and the City of Milwaukee each reported the highest county and municipal unemployment rates for the quarter, at 5.4 percent and 6.1 percent, respectively. Conversely, Ozaukee County once again reported the lowest county unemployment rate at 3.3 percent, while the City of Brookfield led all municipal units with a quarterly rate of 3.2 percent. Washington and Waukesha Counties reported quarterly rates of 3.5 and 3.4 percent, respectively. With their consistently low unemployment rates, each of these three counties continues to rank among the bottom-third of the state's seventy-two counties with respect to unemployment, with Ozaukee and Waukesha Counties reporting the 65th and 66th lowest unemployment rates for December 2005.

As previously discussed in our review of 2005's economic trends, an analysis of the components of the region's labor force shows that patterns of labor force and unemployment contraction are distributed throughout the region, with Milwaukee and Waukesha Counties each experiencing markedly greater effects. These two counties experienced labor force losses of 4,300 and 2,000 individuals, respectively in 2005, while the remaining regional counties (Ozaukee and Washington) reported losses of 230 and 720 over the same period. While one should anticipate this distribution, given the relative size of each of the counties in question, it does suggest that both of the region's largest counties may face greater pressures to retain skilled and unskilled labor than those faced by the region, as a whole.

Returning to our analysis of industry employment trends in the Fourth Quarter, we see that net industry employment increased by 4,000 positions over the period. Again, as previously discussed, much of this growth occurred in the retail trade sector, as increased purchasing activity spurred by the holiday season traditionally drives demand for seasonal workers. More sustainable employment growth was observed in the education and health services super sector, which added 3,800 positions over the past quarter. This trend is again consistent with expectations of increased demands for health care workers as the region's population continues to grow relatively older. Finally, federal/state/and local government agencies added a total of 6,400 positions to their payrolls over the past quarter, due largely to cyclical employment patterns tied to budgetary cycles.

Shifting the analysis to a discussion of declining industries over the past quarter, we see that industry job losses were concentrated in two sectors that are particularly susceptible to seasonal demand — construction/natural resources and leisure and hospitality. Losses were particularly pronounced in the leisure and hospitality sector, where the end of the traditional tourist season resulted in the loss of 3,300 positions. While these losses are expected to be sustained in the next quarter, we should see industry employment return to formerly high levels as the 2006 tourism season approaches.

One industry sector that bears further analysis is the professional and business services sector, which saw a decrease of nearly 3,000 positions in the fourth quarter. While this net decrease cannot be attributed to one specific cause, such as seasonal fluctuations, it is nonetheless of some interest. This also points to an important lesson that quarterly trends must be viewed from an annual perspective, as the sector did add 2,200 positions in 2005.

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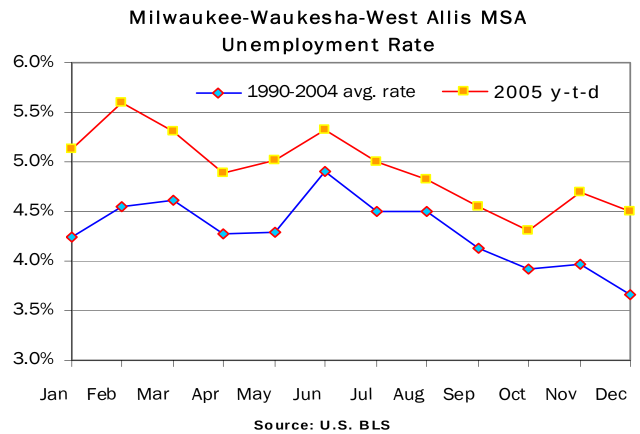
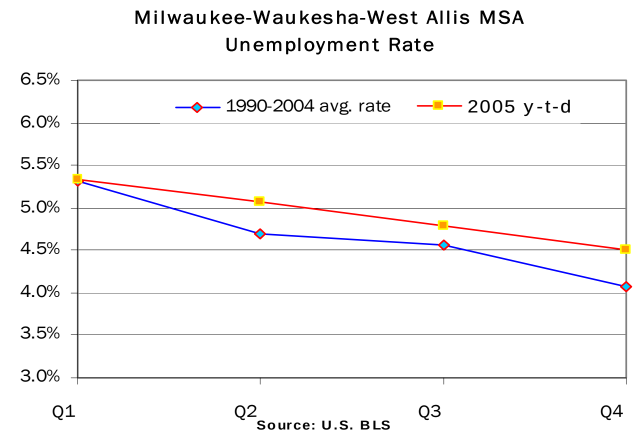
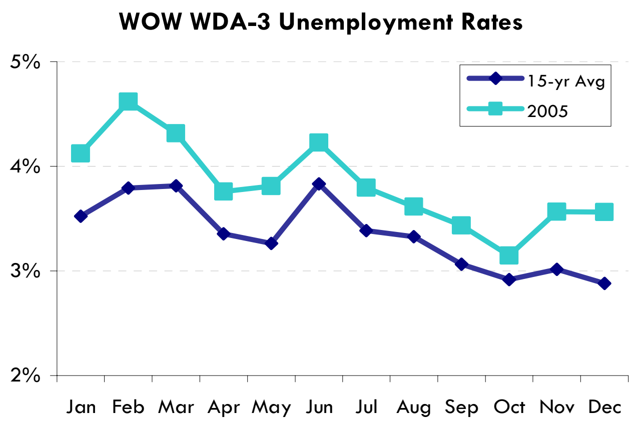
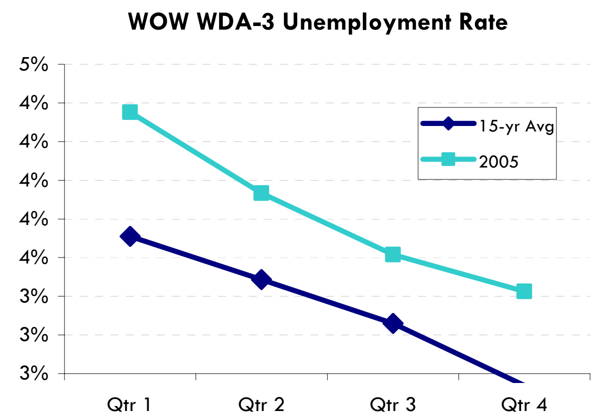
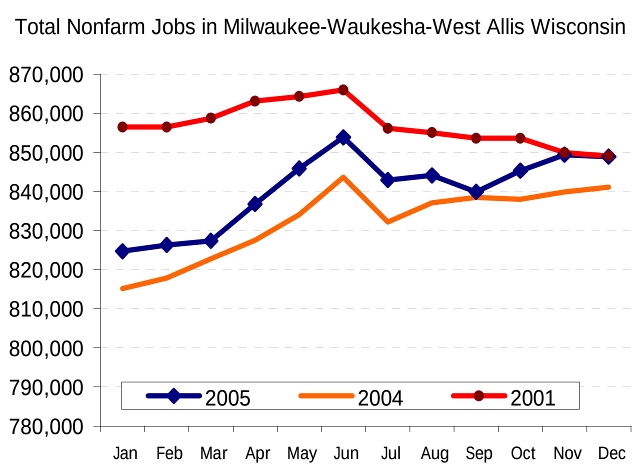
Fourth Quarter Economic Indicators











	Change over previous quarter				over yr
Consumer Price Index - All items (not seasonally adjusted)	**Qtr 1 2005**	**Qtr 2 2005**	**Qtr 3 2005**	**Qtr 4 2005***	**Qtr 4 2004**
United States	0.6%	1.3%	1.2%	0.5%	3.7%
Midwest cities (50,000-1.5 million pop.)	0.5%	1.2%	1.6%	0.2%	3.5%
Midwest cities (less than 50,000 pop.)	1.0%	1.5%	1.7%	0.3%	4.5%
Employment Cost Index (not seasonally adjusted)					
Civilian total compensation	1.1%	0.6%	0.9%	0.5%	3.1%
Private industry total compensation	1.1%	0.7%	0.6%	0.4%	3.0%
Local & state govt. total compensation	0.9%	0.3%	1.8%	1.0%	3.7%
Civilian wages	0.7%	0.5%	0.8%	0.6%	2.3%
Private wages	0.7%	0.6%	0.7%	0.5%	2.2%
Local & state government wages	0.6%	0.2%	1.3%	0.9%	2.7%
Civilian benefits	2.2%	0.7%	1.1%	0.4%	5.1%
Private industry benefits	2.3%	0.8%	0.7%	0.2%	4.8%
Local & state government benefits	1.4%	0.5%	3.0%	1.1%	6.1%

Source: US Bureau of Labor Statistics   * current quarter

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